

Central Intelligence Agency
Inspector General

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SEMIANNUAL REPORT
TO THE DIRECTOR, CENTRAL INTELLIGENCE AGENCY

JANUARY - JUNE 2005

John L. Helgerson
Inspector General

APPROVED FOR RELEASE ☐
DATE: 25-Feb-2010

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(U) ANNEX SECTION

(U) STATISTICAL OVERVIEW

(U) COMPLETED AUDITS

(U) CURRENT AUDITS

(U) COMPLETED INSPECTIONS

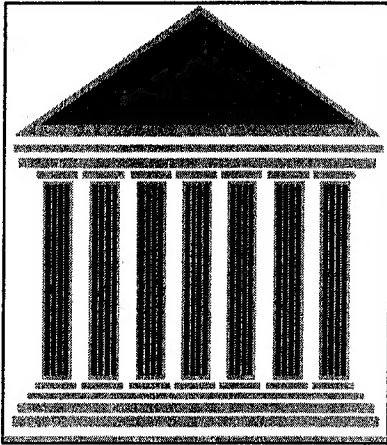
(U) CURRENT INSPECTIONS

(U) COMPLETED INVESTIGATIONS

(U) CURRENT INVESTIGATIONS

(U) COMPLETED SPECIAL REVIEWS

(U) A Message From the Inspector General



[] The Office of Inspector General (OIG) continues to devote a substantial proportion of its resources to reviewing the Agency's detention and interrogation activities associated with the conflicts in Afghanistan and Iraq and terrorism in general. This work, undertaken in cooperation with the Departments of Defense and Justice, as appropriate, focuses on the circumstances surrounding the movement, confinement, and, in some cases, abuse of detainees.

[] In a separate case, the trial of a former Agency contractor indicted on four felony counts of assault of a detainee, who died, has been rescheduled for the October 2005 term. This matter is the first US prosecution of a civilian for abuses committed in Afghanistan.

[] In May 2004, the OIG completed a special review of the management and implementation of a program undertaken in the aftermath of 11 September 2001 pursuant to the counterterrorism covert action program. Ten significant recommendations concerning review, revalidation, or modification of the program resulted. Action has been completed on five of those recommendations. The Agency is working to complete action on the recommendations that remain outstanding.

(U/[] The Investigations Staff also conducted a number of investigations on other subjects, including fraud by employees and contractors, possession of child pornography, misappropriation of funds, a

Hatch Act violation, false statements and claims, and misuse of the diplomatic pouch. Investigators are participating in several procurement fraud initiatives. Judicial proceedings are under way in several cases.

(U/[]) To strengthen the Investigations Staff to handle its growing and diverse responsibilities, four experienced investigators have been hired during the past six months. In the information technology area, the Staff identified and deployed software to organize and search the voluminous records it receives in investigations.

(U/[]) The OIG in June 2005 completed its special review of accountability issues related to the events of 9/11 that was requested by the intelligence oversight committees. This report, "Office of Inspector General Report on Central Intelligence Agency Accountability Regarding Findings and Conclusions of the Report of the Joint Inquiry into Intelligence Community Activities Before and After the Terrorist Attacks of September 11, 2001," was provided to the Director, CIA at the end of the reporting period. The Director is considering the Inspector General's findings and recommendations.

[] The Inspection Staff, in addition to taking the lead on the special review of 9/11 accountability, completed inspections on two specific issues and four Agency components. Inspection reports were issued on "Retention in the Agency" and on the "Directorate of Science and Technology's Technical Support to the Directorate of Operations." Component inspections were completed on the Office of Public Affairs, Crime and Narcotics Center, Latin America Division, and Office of Security. The latter report included an annex assessing possible vulnerabilities of the Headquarters compound, which the Office of Security immediately addressed.

[] The Audit Staff has embarked on two new initiatives that enhance the capabilities of the OIG and the skills of the Staff. The first is a heavier focus on Agency project management—auditors are taking formal training in this area. They are performing effectively on two major audits that involve significant project management issues: a sensitive major system acquisition, and the many facility upgrades and new construction at []

(U) The second Audit initiative is an arrangement now in place that provides for a more direct OIG role in testing Agency computer systems. The Audit Staff has signed a memorandum of understanding with the Security Center's Information Security Group, pursuant to which an auditor is assigned to that unit's testing area on a rotational tour. This officer's duties will include participating in tests of information systems that have been requested by the OIG as part of its ongoing audit work. By making an OIG officer an active participant in the testing and reducing the Office's previously complete dependence on another component for testing, this arrangement will enhance the OIG's ability to independently test Agency systems without incurring the cost of expensive hardware and software necessary for testing.

(U) The Audit Staff continues to pursue its program, requested by Congress, to audit each covert action program at least every third year. The Staff during this reporting period completed audits of two programs and fieldwork on a third, and is working on three others. The Staff also began work on the audit required by statute of the consolidated financial statements for fiscal year 2005. This is the second year of this annual requirement.

(U) The OIG has also continued to promote collaboration among Intelligence Community (IC) Inspectors General. The IG co-chaired the first annual off-site conference of the IC IG Forum, and consulted with the new IG-designate of the Director of National Intelligence. As part of its outreach program, the Inspection Staff offered seats in the New Inspector Training Course to other IC inspectors and evaluators. Officers of the Defense Intelligence Agency and the Department of Homeland Security completed the course in January. Similarly, three investigators from the National Reconnaissance Office participated in the Investigations Staff's New Investigators' Training Course. In May, the Audit Staff hosted the 11th annual Intelligence Community Audit Conference, attended by approximately 160 auditors from 16 different agencies.

John L. Heigerson

15 July 2005

(U) STATUTORY REQUIREMENTS

(U) This report is submitted pursuant to section 17 of the CIA Act of 1949, as amended, which requires the Inspector General to provide to the DCI, not later than 31 January and 31 July of each year, a semiannual report summarizing the activities of the OIG for the immediately preceding six-month periods, ending 31 December and 30 June, respectively.

(U) All audit activities of the OIG are carried out in accordance with generally accepted government auditing standards. All OIG inspection and investigation activities conform to standards promulgated by the President's Council on Integrity and Efficiency.

(U) The OIG has had full and direct access to all Agency information relevant to the performance of its duties.

(U) Subpoena Authority

(U/ []) During this reporting period, the IG did not issue any subpoenas.

(U) Legislative Proposals

(U) OIG has no proposals for legislative changes.

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(U) AUDITS

(U) AUDIT STAFF OVERVIEW

(U/) The Audit Staff conducts performance and financial statement audits of Agency programs and activities, and participates with other agencies in joint reviews of Intelligence Community programs and activities. During this period, the Audit Staff completed 11 evaluations and audits of Agency financial management, covert action programs, information security, field stations, and other CIA activities.

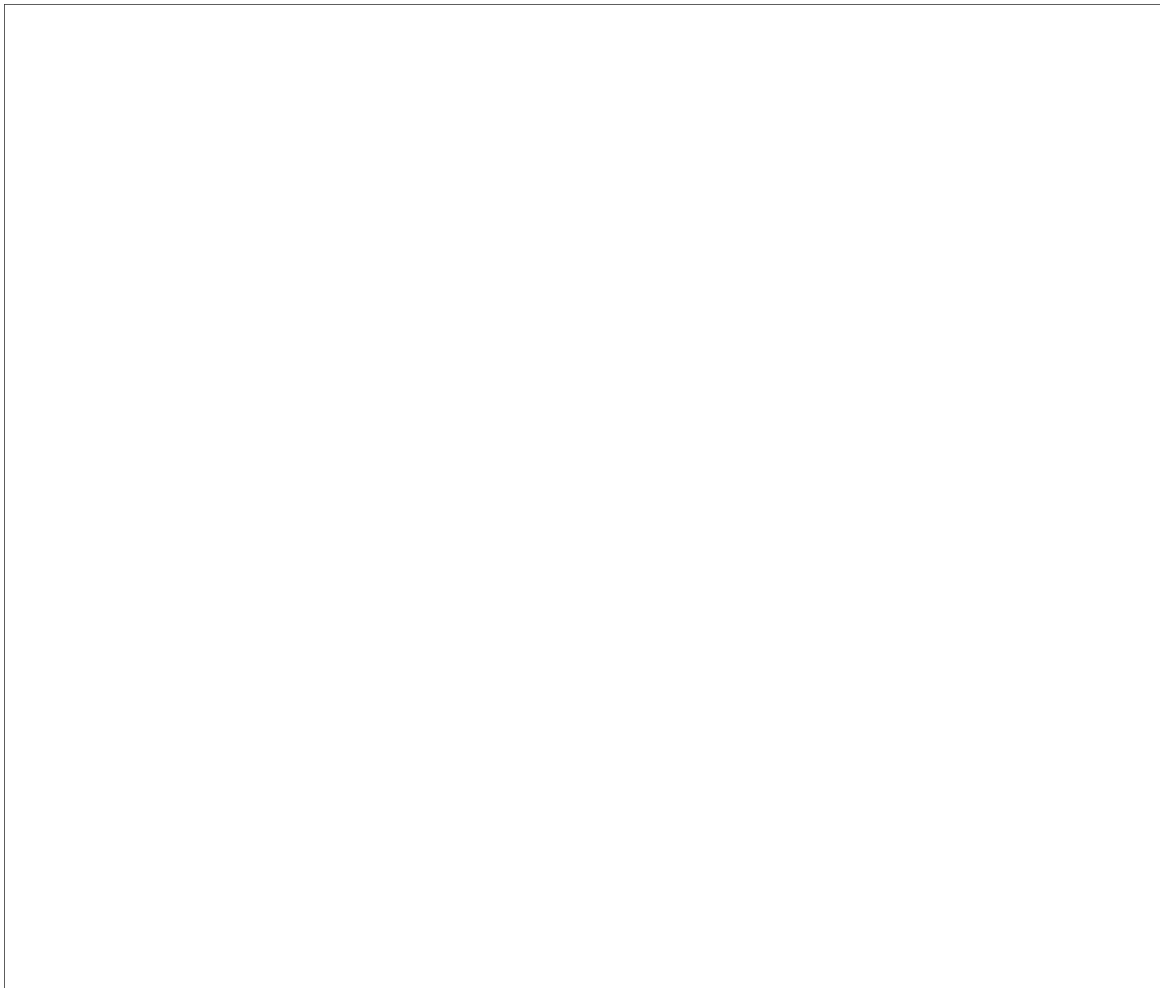
) The Audit Staff embarked on two new initiatives that expand the capabilities of the Office and broaden the skills of the Staff. The first initiative is a heavier focus on Agency Project Management (PM). Auditors have taken and are continuing to take formal training in this area. They are performing very effectively on two major audits that involve significant PM issues—a sensitive major system acquisition and the many facility upgrades and new construction projects that are being completed at

(U) The second initiative is an arrangement that is now in place to provide more independence in testing computer systems being audited. The Audit Staff has signed a Memorandum of Understanding (MOU) with the Security Center's (SC's) Information Security Group (ISG). Under this MOU, an auditor is assigned to ISG's testing area for a six-month rotational tour. The auditor will perform testing duties daily as assigned. However, when the Audit Staff needs testing assistance, the auditor will support this Office by participating in the tests. In the past, the ISG performed the tests with an auditor observing and reviewing the results. This arrangement enhances the Staff's ability to independently test Agency systems without investing in expensive hardware and software.

(U) The Audit Staff continues to pursue its program, as requested by Congress, to audit each covert action program (or an aspect of each program) at least every third year. The Staff also began work on the statutory audit of the CIA's financial statements for fiscal year 2005. This is the second year of this annual requirement.

(U) In May 2005, the CIA hosted the 11th Annual Intelligence Community Audit Conference, attended by approximately 160 auditors from 16 different agencies. Speakers from the Office of the Director of National Intelligence, the National Geospatial-Intelligence Agency, the National Counterterrorism Center, and the CIA shared their insights on *A New Era in Intelligence*.

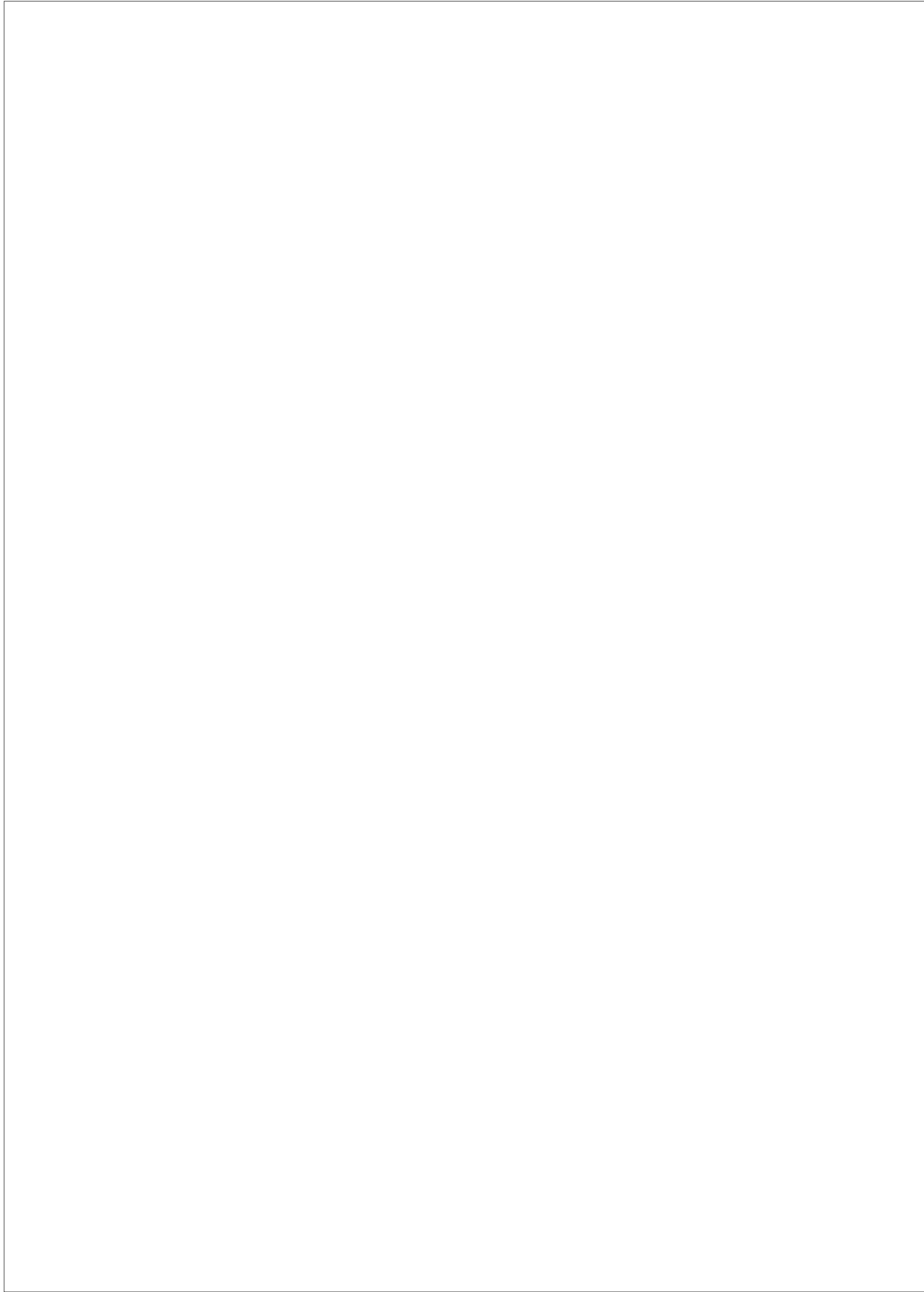
(U) SIGNIFICANT COMPLETED AUDITS

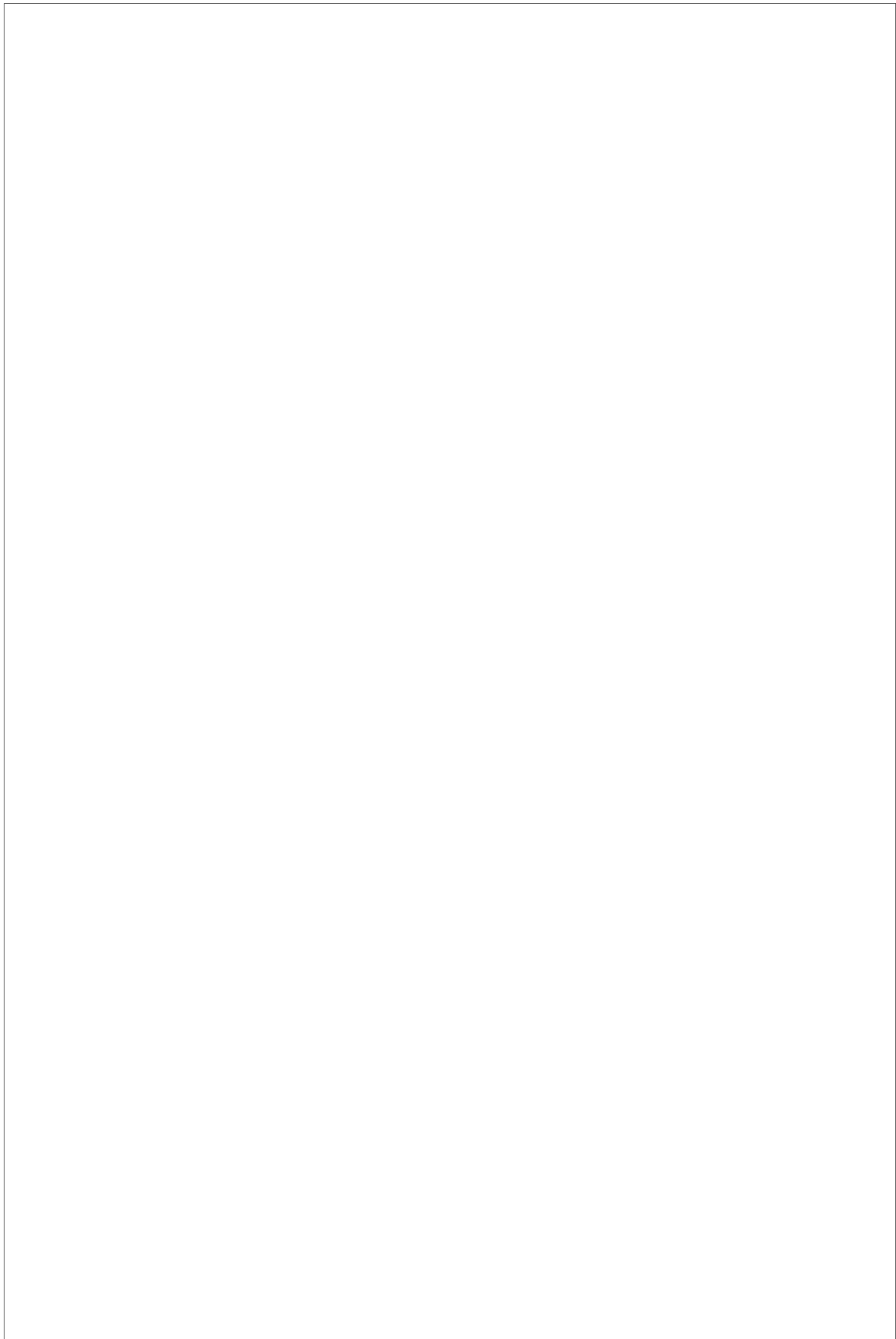


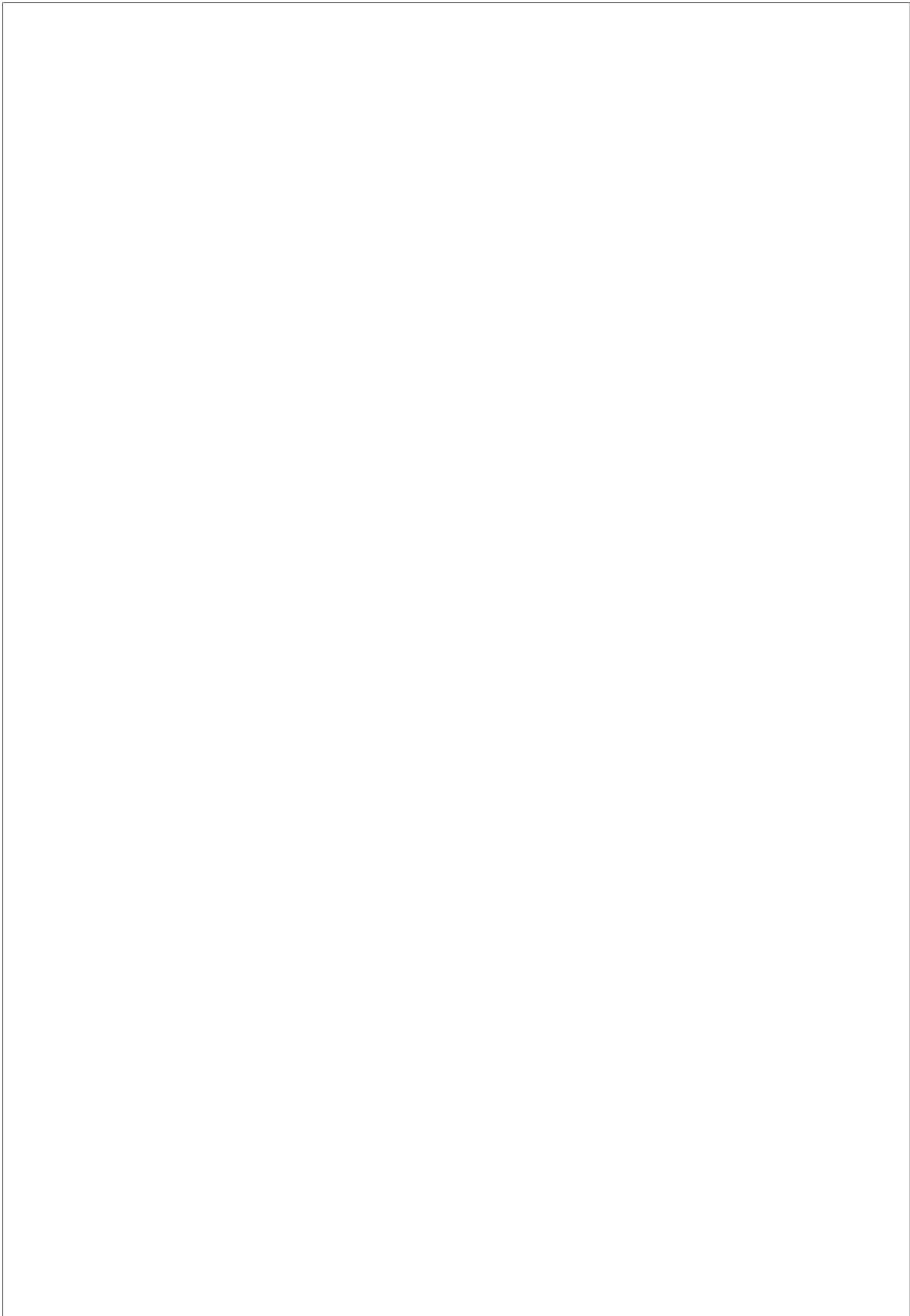


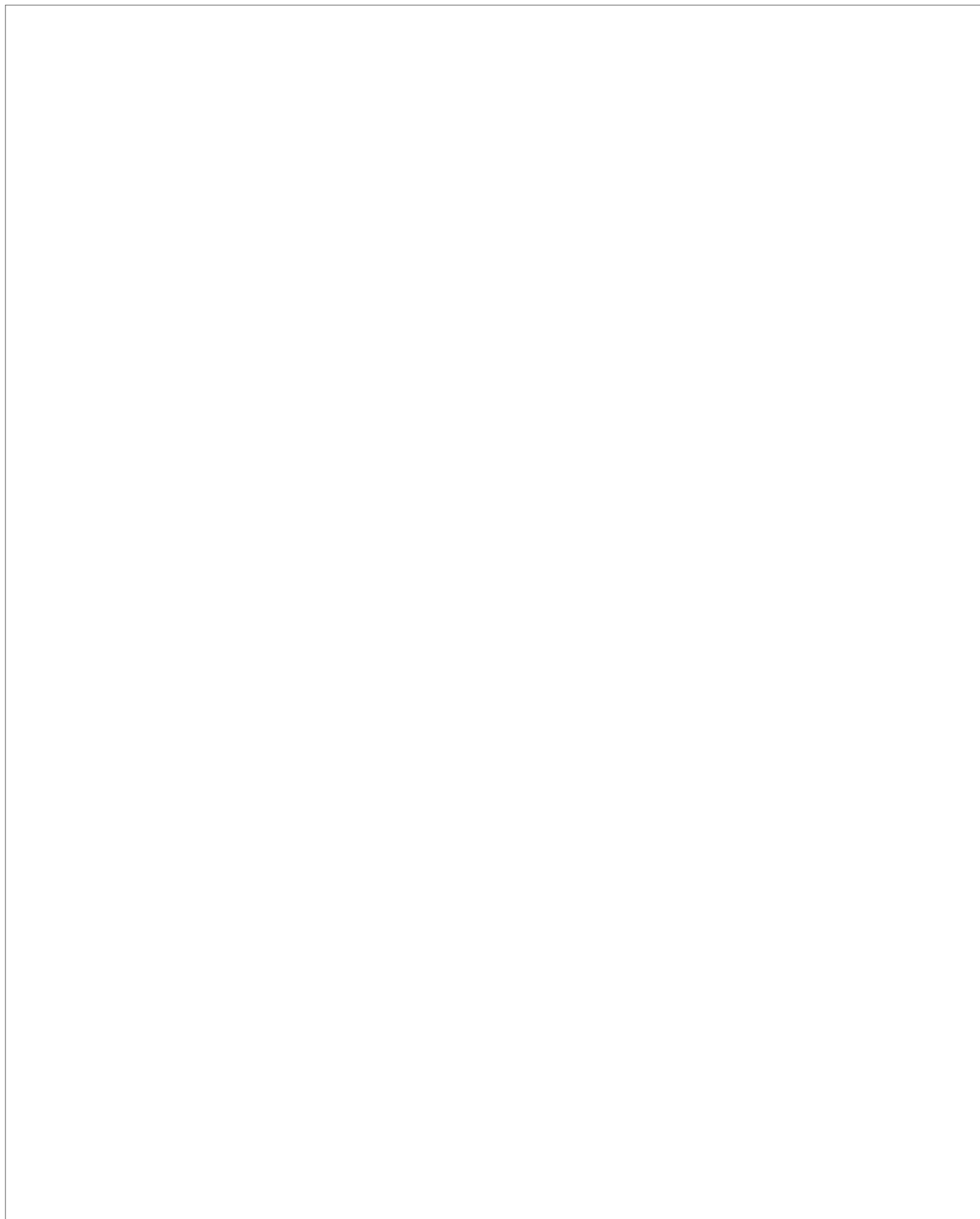


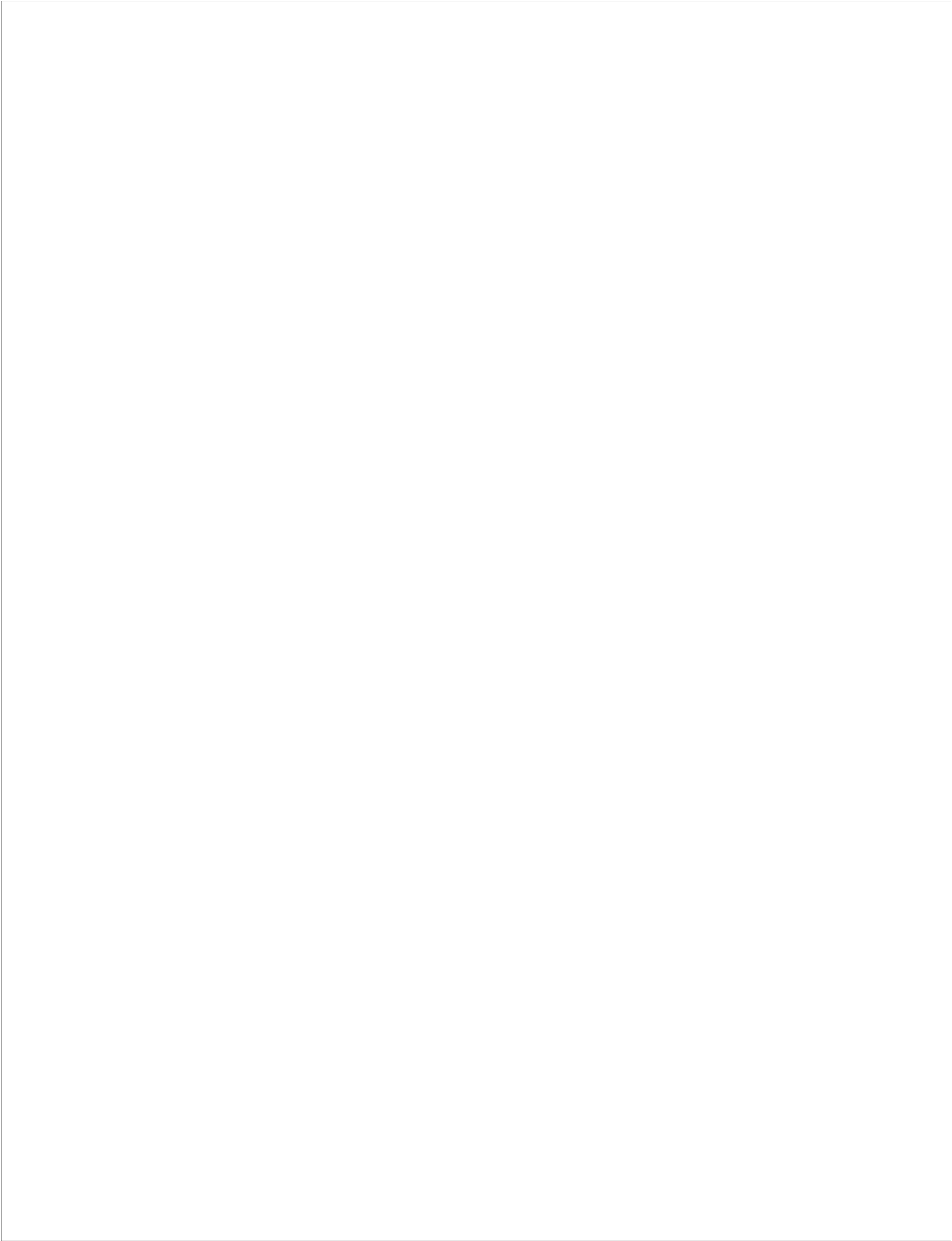










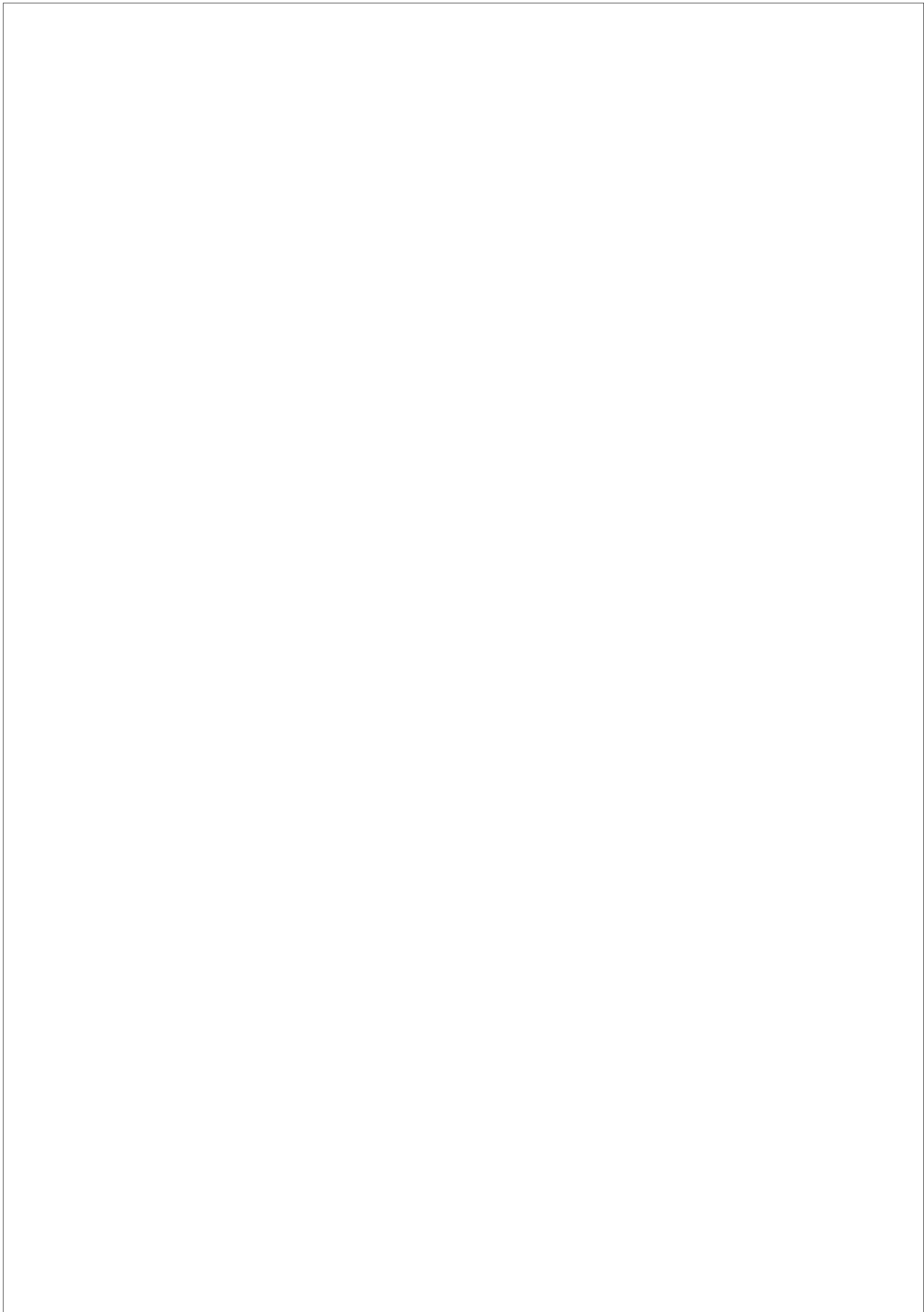




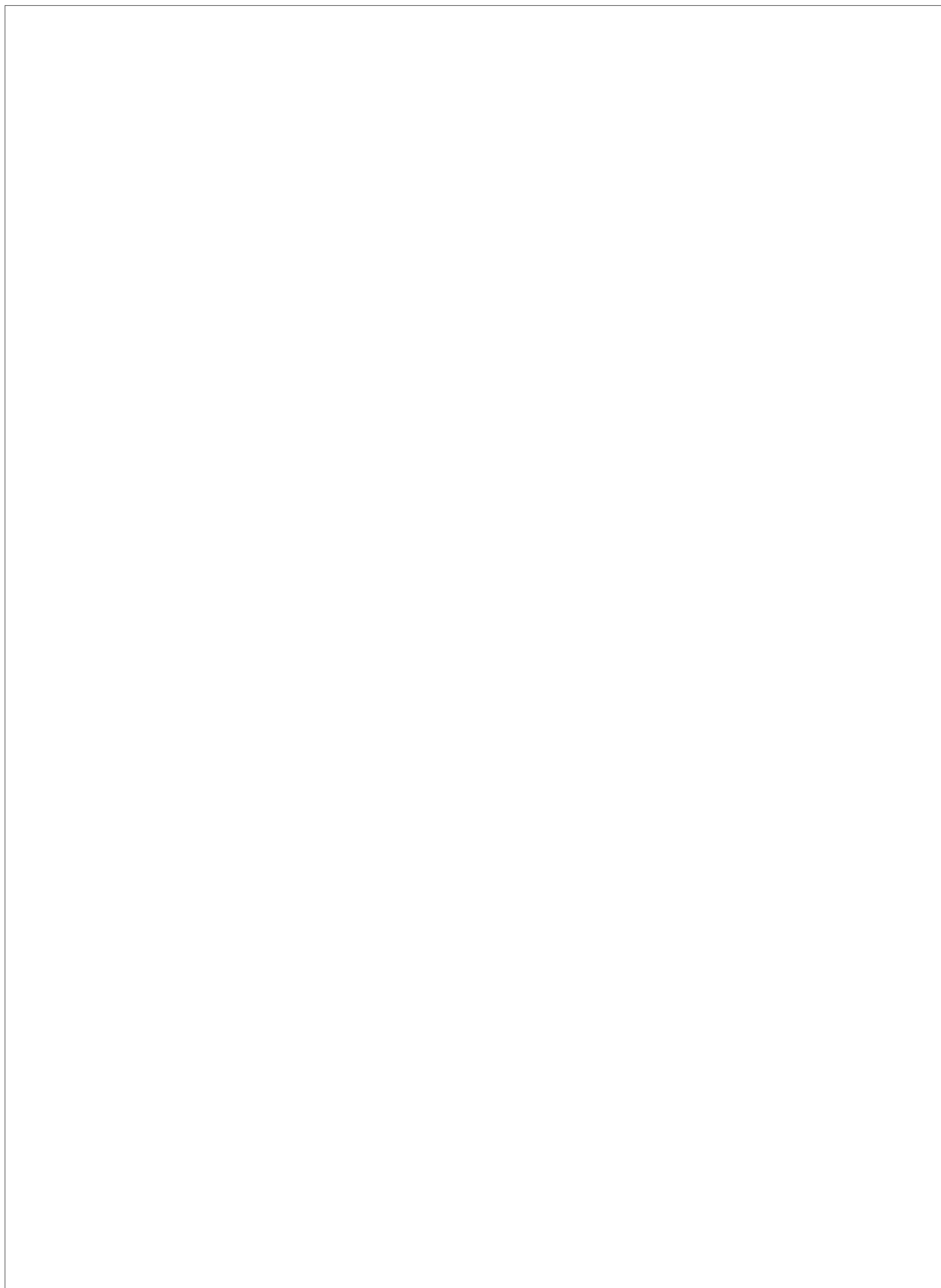


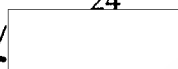
***(U) STATUS OF SIGNIFICANT RECOMMENDED ACTIONS OUTSTANDING
FROM PREVIOUS SEMIANNUAL REPORTS***

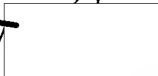


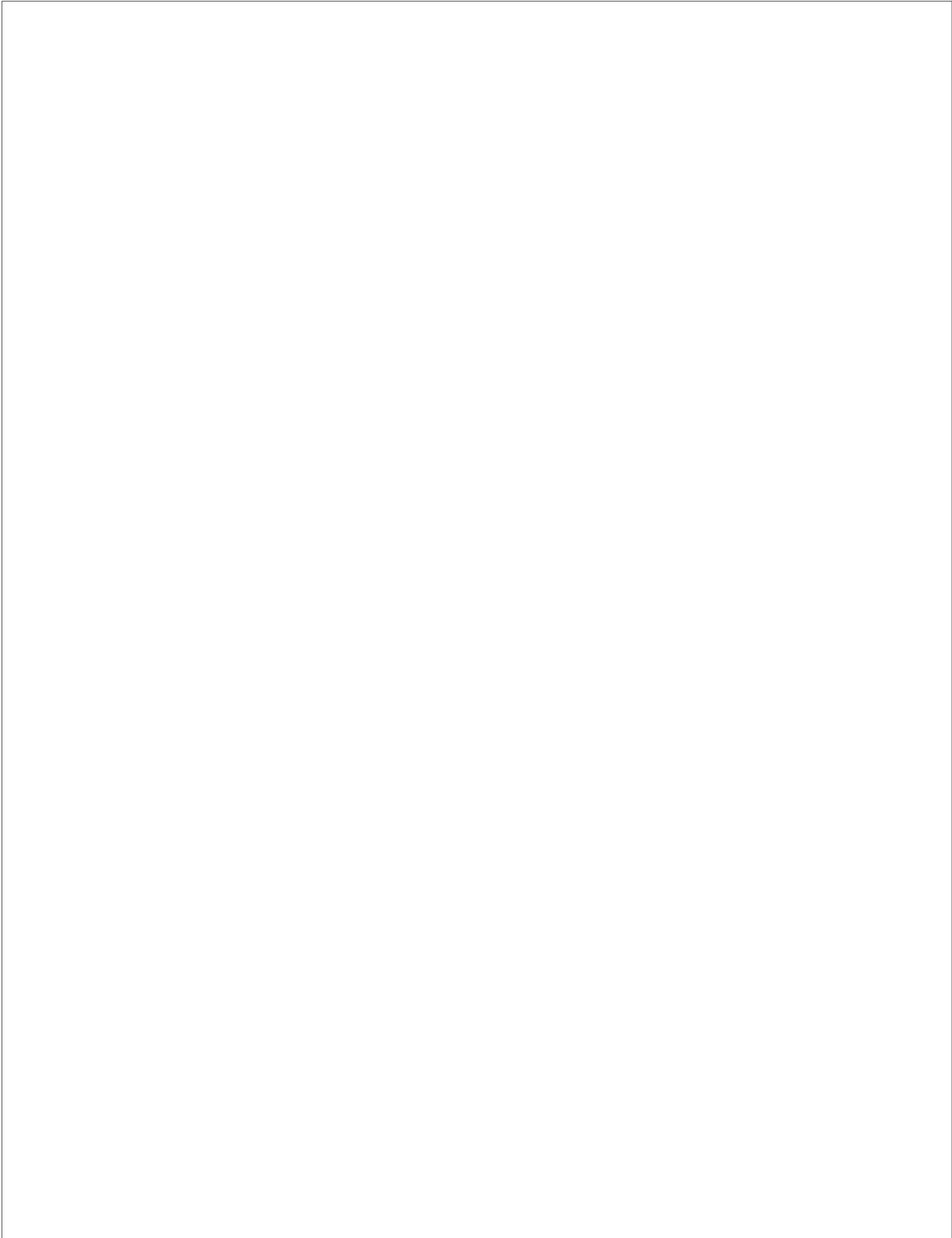


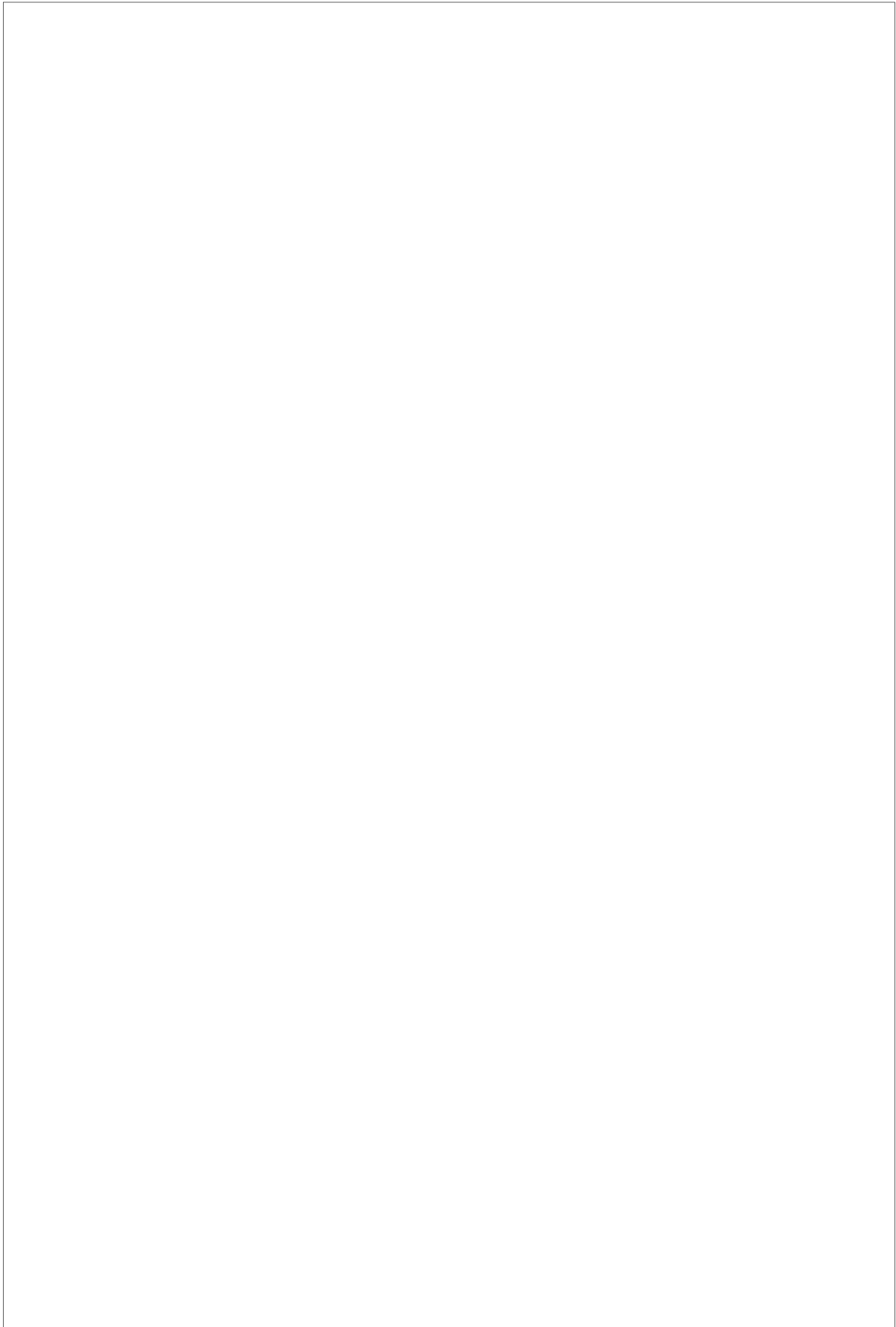










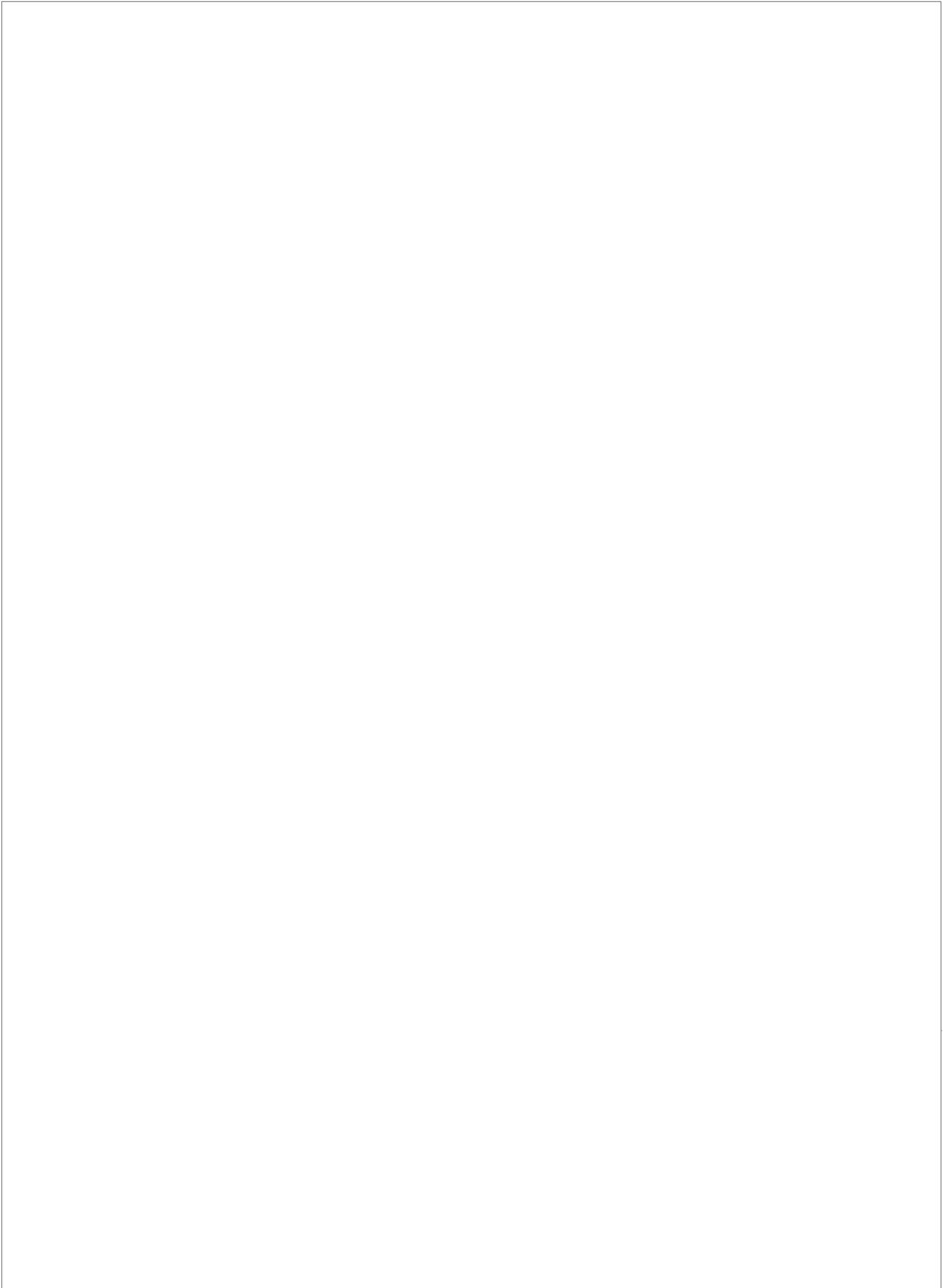


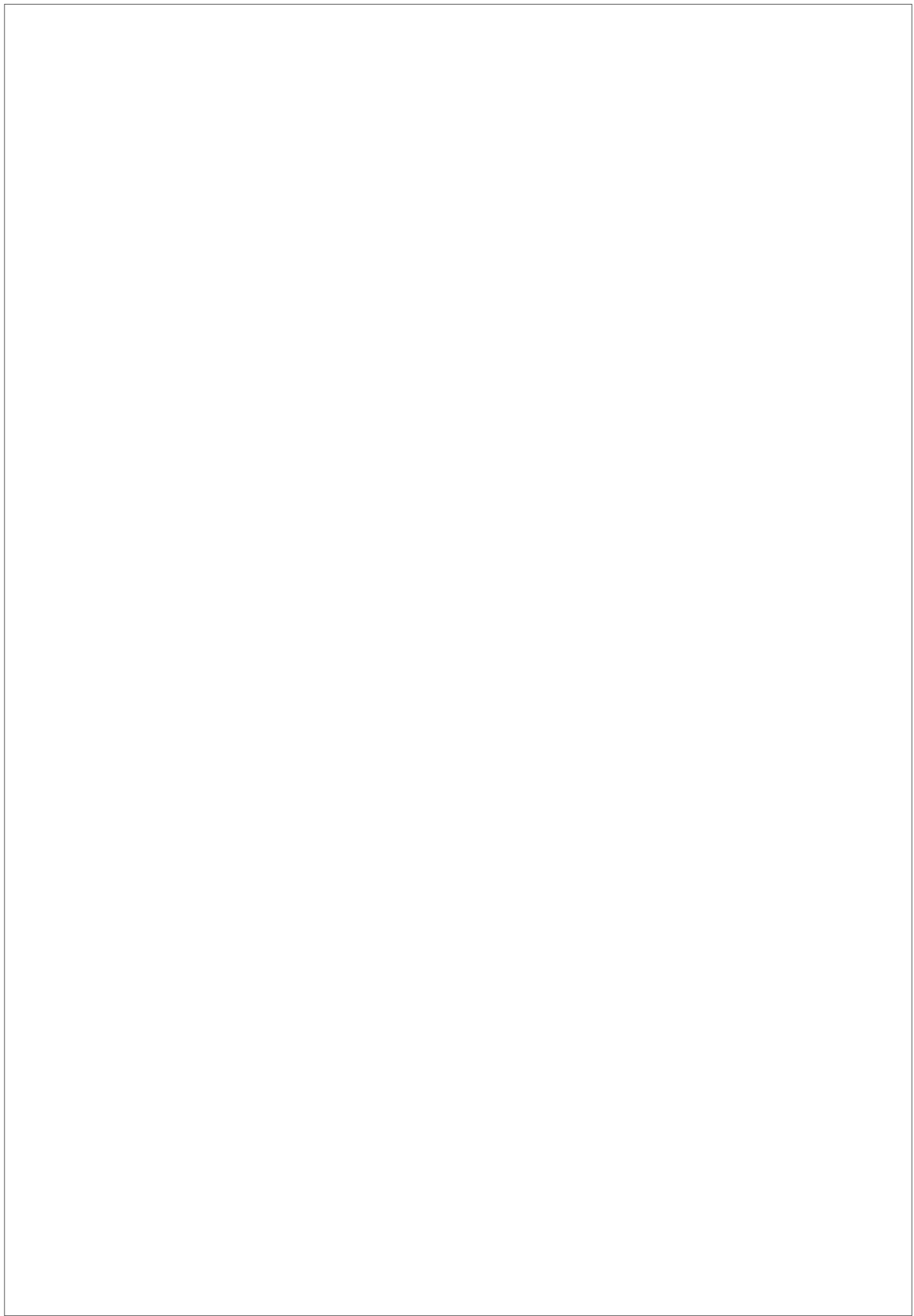












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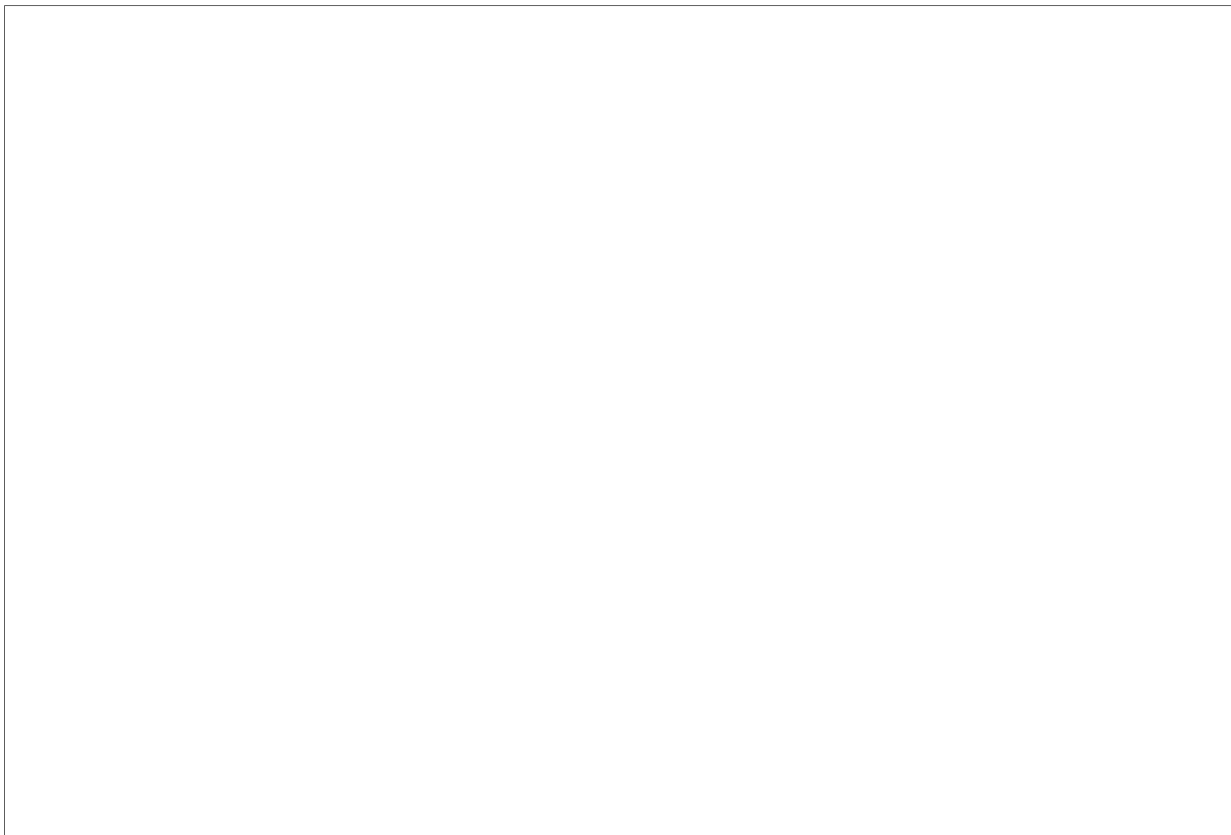
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(U) INSPECTIONS

(U) INSPECTION STAFF OVERVIEW

(U/) The Inspection (INS) Staff is responsible for conducting inspections of Agency programs and operations to evaluate their efficiency and effectiveness and their compliance with law, Executive orders, and regulations.

(U/) During the current reporting period, the Staff completed inspections of the Office of Public Affairs (OPA), the Office of Security (OS), the DCI Crime and Narcotics Center (CNC), Retention in the Agency, the Directorate of Science and Technology's (DS&T's) Technical Support to Directorate of Operations (DO), the Counterproliferation Division's (CPD's) Performance Against the

and the DO's Latin America (LA) Division. In addition, the Staff began inspections on the Office of Asian Pacific, Latin American, and African Analysis in the Directorate of Intelligence (DI); the DO's Europe Division; CIA University; Research and Development in the Agency; Agency Performance on North Korea; and Pre-9/11 Links Between the Iraqi Government and Al-Qa'ida Evident in Agency Reporting, which was mandated by Congress.

(U/) The Inspection Staff continues to conduct a two-week course for new inspectors and a seminar for team leaders before the start of each inspection cycle. The Staff also provides instructional seminars for OIG inspectors and research assistants during the course of each cycle, instituted in response to the increasing sophistication of the Staff's methodology.

(U/) In addition, the Inspection Staff continues to utilize an independent contractor to track, monitor, and pursue compliance with recommendations. The Staff has closed six inspections that were open as of 1 January 2005. For four of these, the

relevant stakeholders have satisfied the remaining recommendations. INS is closing the remaining two because this is the fifth semiannual report that has noted recommendations that remain unsatisfied.³

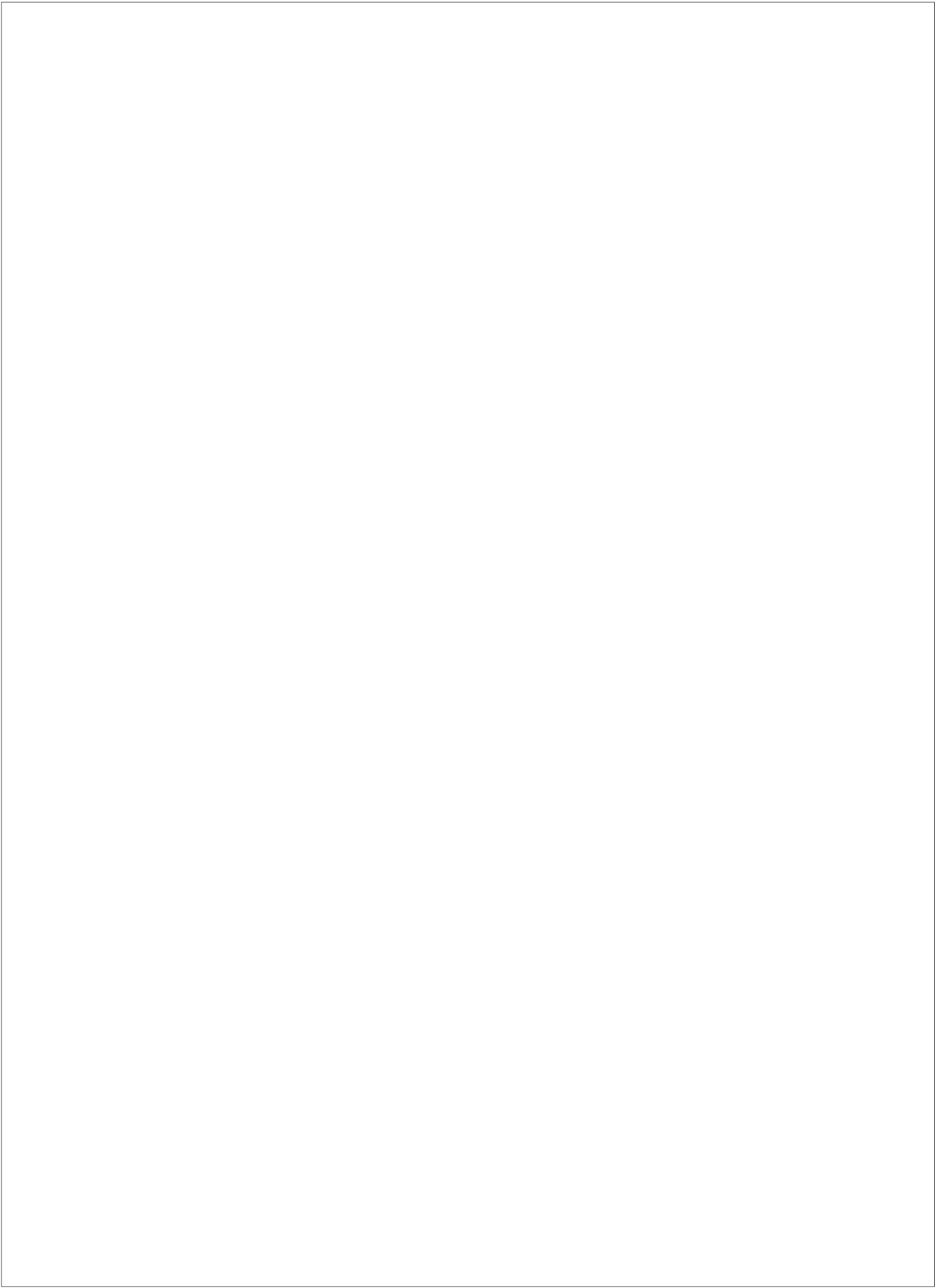
(U) SIGNIFICANT COMPLETED INSPECTIONS

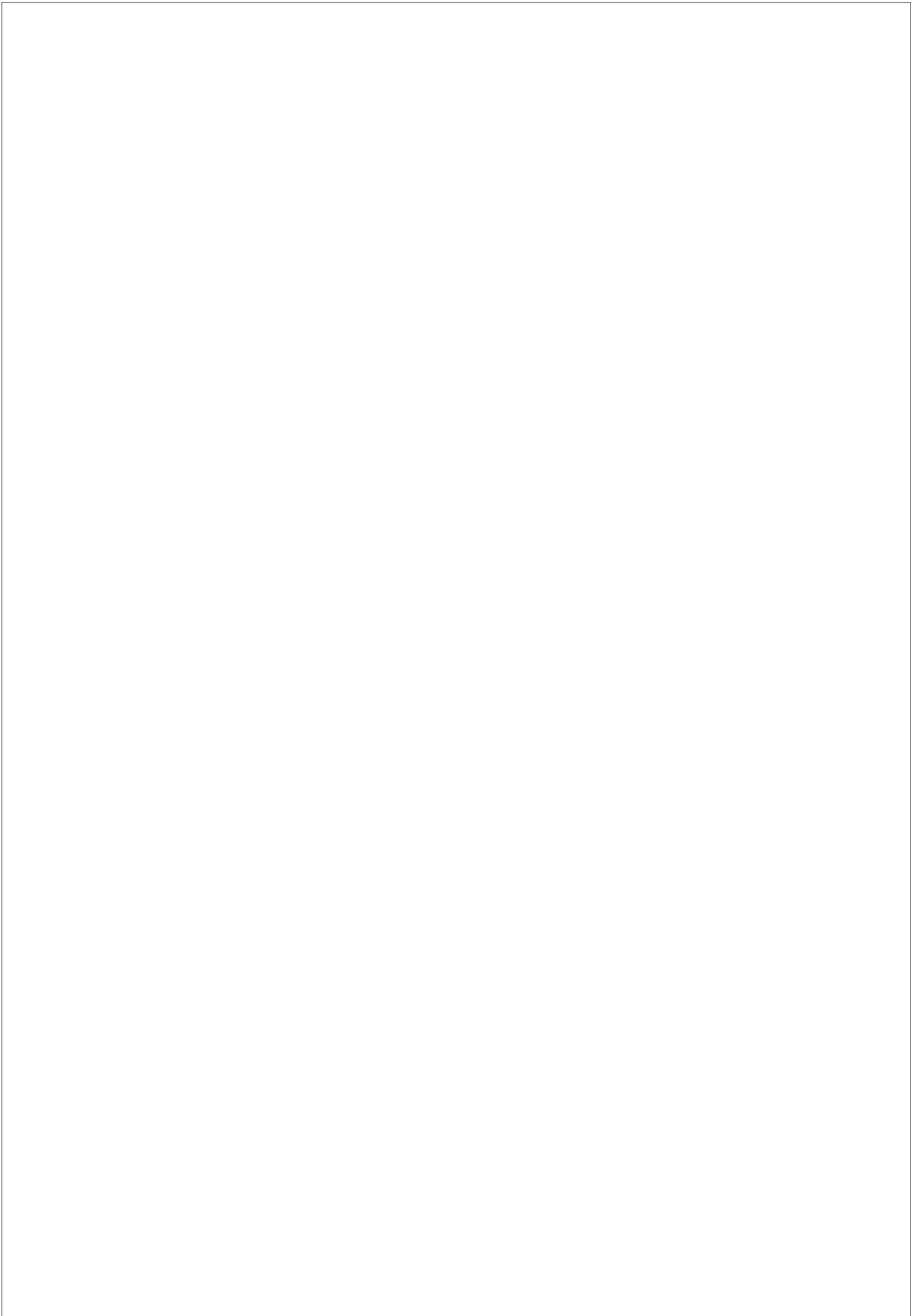




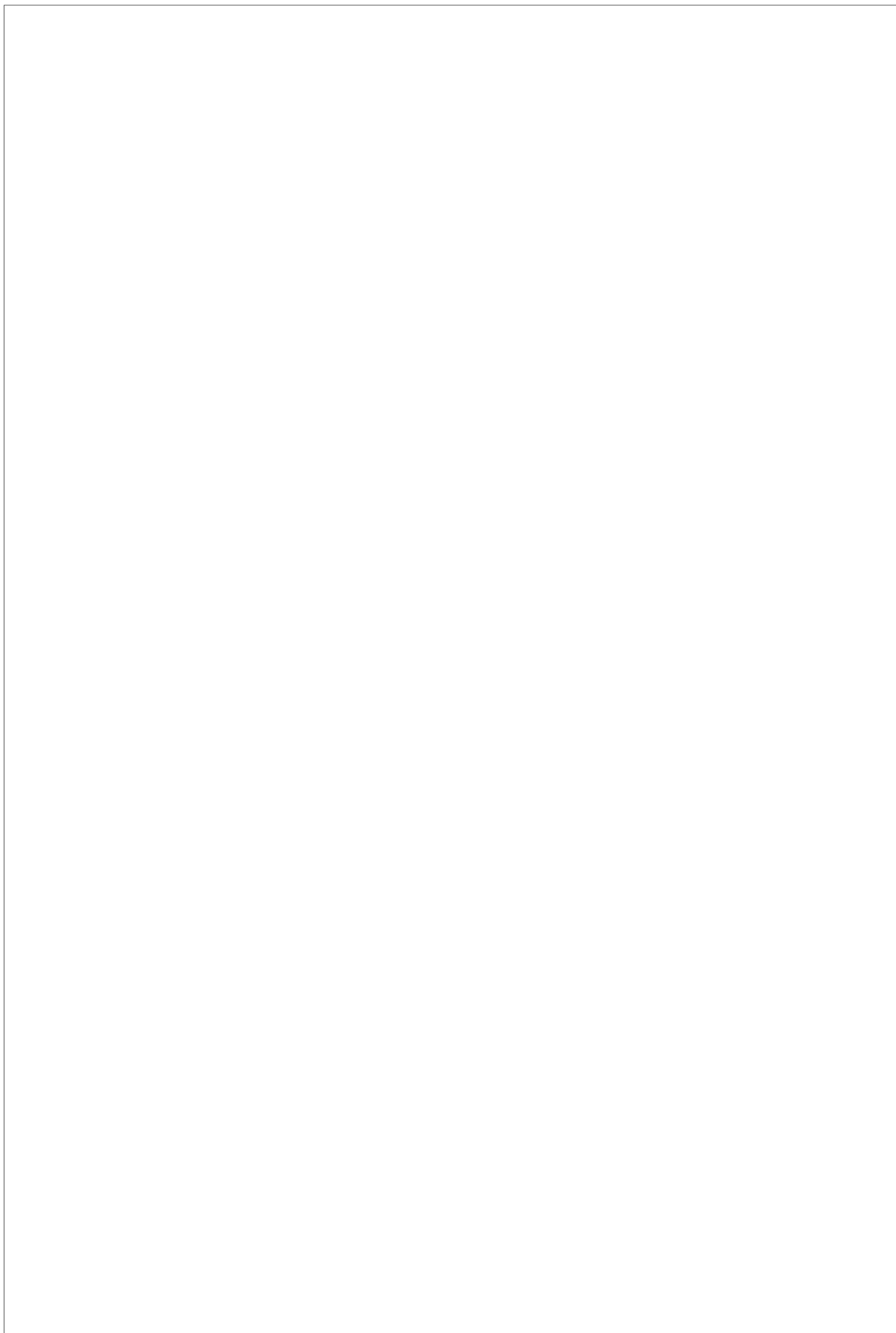


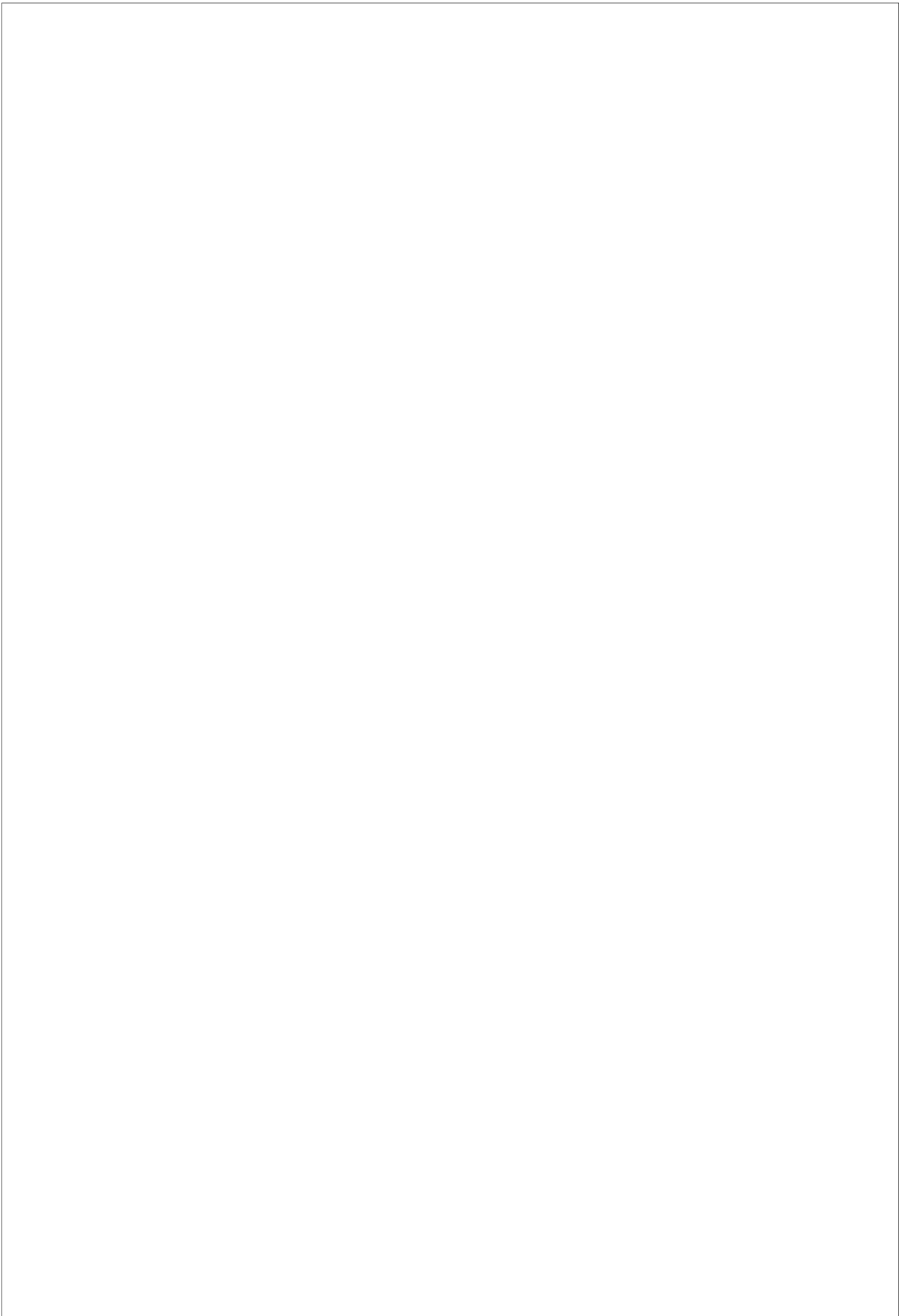


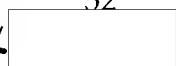










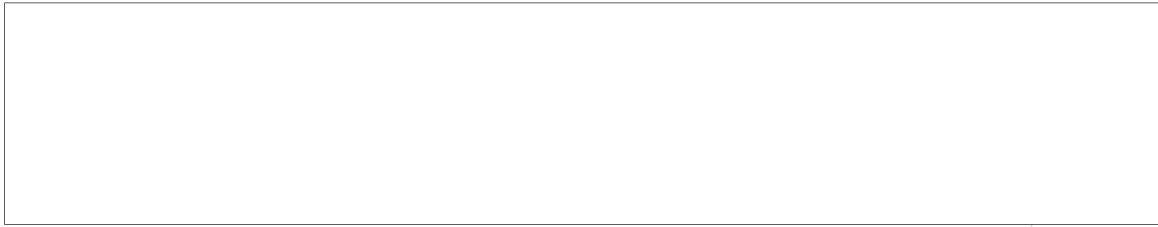




***(U) STATUS OF SIGNIFICANT RECOMMENDED ACTIONS OUTSTANDING
FROM PREVIOUS SEMIANNUAL REPORTS***

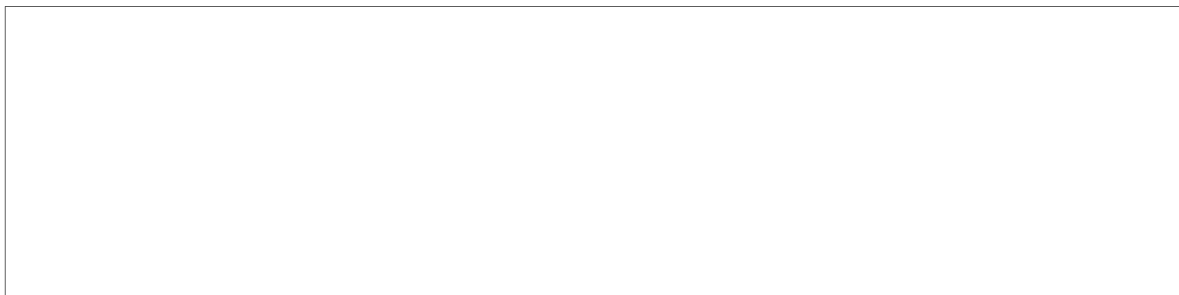






(U) SUMMARIES OF CURRENT INSPECTIONS





(U) INVESTIGATIONS

(U) INVESTIGATIONS STAFF OVERVIEW

(U/) The Investigations (INV) Staff investigates possible violations of statutes, regulations, policies, and procedures, as well as allegations of waste, fraud, mismanagement, abuse of authority, and substantial dangers to public health and safety related to Agency programs and operations. The INV Staff also oversees the Agency's grievance system and conducts proactive initiatives aimed at detecting and preventing fraud, waste, and abuse.

The Staff continued a number of resource-intensive investigations concerning detention and interrogation activities in Iraq and Afghanistan. These investigations focus on the circumstances surrounding the movement, confinement, and alleged abuse of detainees. One investigation concerning the events leading to the death of a detainee in Afghanistan was completed. Other ongoing investigations are being conducted in conjunction with the Departments of Defense and Justice, as appropriate. The trial of a former Agency contractor indicted on four felony counts of assault of a detainee, who died, has been rescheduled for July 2005. This matter is the first US prosecution of a civilian for abuses committed in Afghanistan. The Inspector General regularly informed the Congressional oversight committees of the status of these investigations.

(U/) The Staff conducted a range of other investigations, including allegations of fraud by employees and contractors, possession of child pornography, misappropriation of funds, a Hatch Act violation, false statements and claims, and misuse of the diplomatic pouch. The Staff also is participating in several procurement fraud initiatives. Judicial proceedings are under way in several cases.

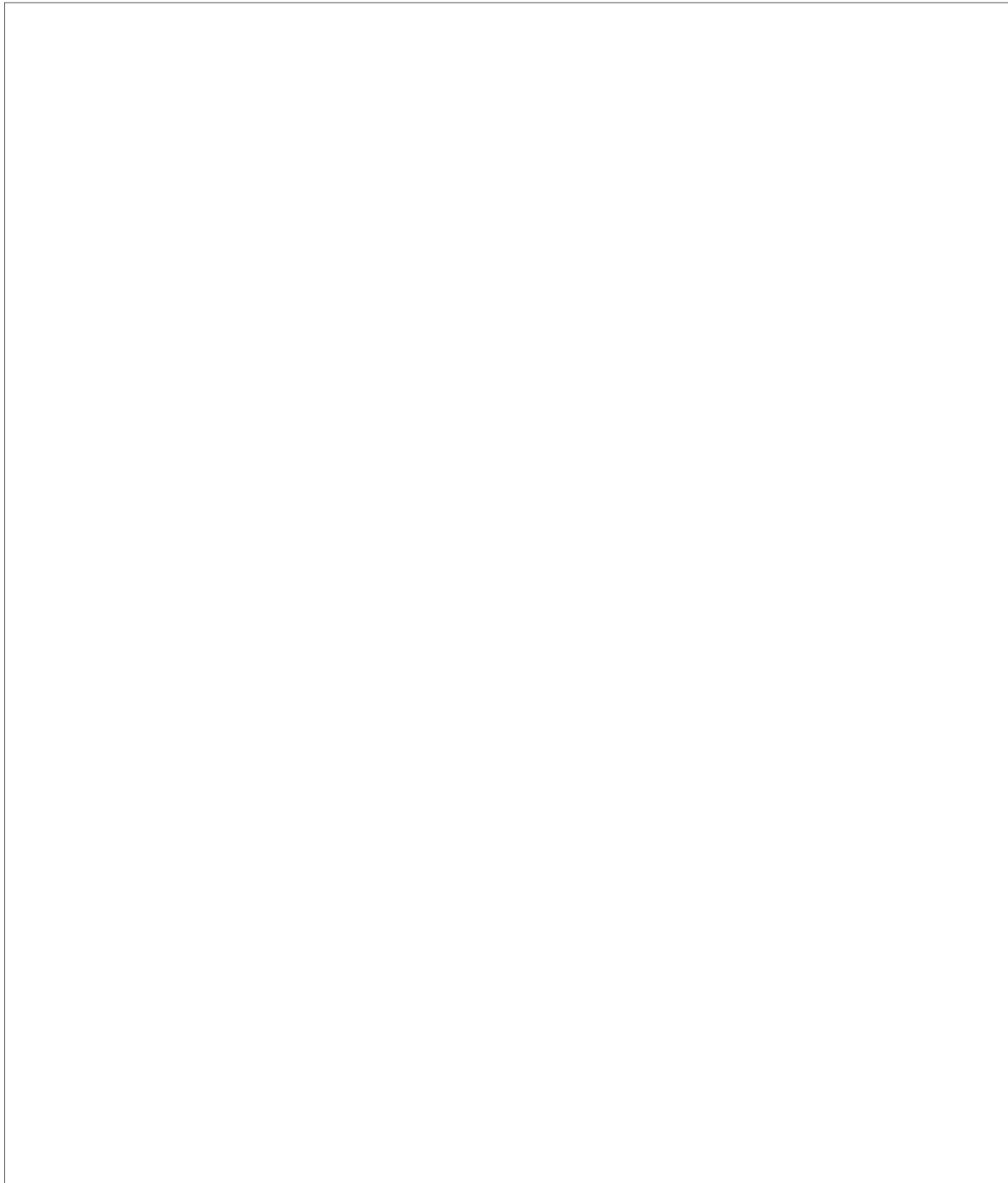
(U/[]) As a result of Staff investigations, an independent contractor who falsified billing hours pled guilty to a felony and restitution of \$26,700 was ordered. In another case, a contractor agreed in a felony plea agreement to make restitution of \$19,846. In a third case, a contracting company and its subcontractor reimbursed the Agency \$122,000 after an investigation found an error in the subcontractor's agreement with the contracting company. In a fourth case, a former employee agreed to reimburse the government \$100,000 fraudulently obtained from the Federal Employee's Compensation Act program. In a fifth case, a contract employee reimbursed the Agency \$2,000 for operational payments he retained. In a sixth case, restitution of \$42,000 was initiated from an employee who fraudulently claimed separate maintenance allowance.

(U/[]) The Staff has hired four experienced investigators since January 2005. They joined three other investigators and three investigators from the National Reconnaissance Office for the Staff-sponsored New Investigators' Training Course. Formal mentoring of new investigators continued. In terms of Staff development, semiannual in-service training was devoted to grand jury practice and rights advisements. Outreach efforts—in the form of regularly scheduled lectures at CIA and Intelligence Community courses, employee bulletins, and liaison with other Federal Assistant Inspectors General for Investigation—continued to reap positive benefits. In the information technology arena, the Staff identified and deployed software to organize and search the voluminous records it receives in investigations.

(U/[]) The Staff's oversight of the Agency-wide grievance system aims to resolve grievances at the lowest possible level in the organization. The INV Staff held its annual grievance counselor workshop in May 2005 for component and directorate grievance officers. The Staff also hosts quarterly meetings of grievance officers to share issues of common interest and conducts mandatory training for all new grievance officers throughout the

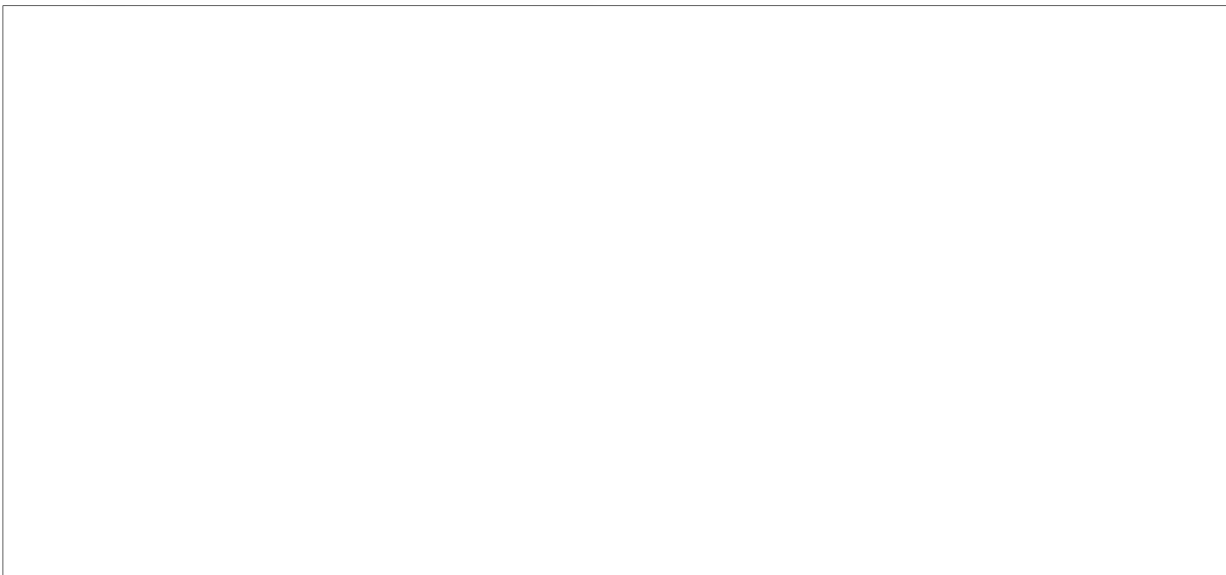
year. This training, together with the emphasis on resolution at the lowest possible level, continues to contribute to effective and timely grievance resolution.

(U) SIGNIFICANT COMPLETED INVESTIGATIONS





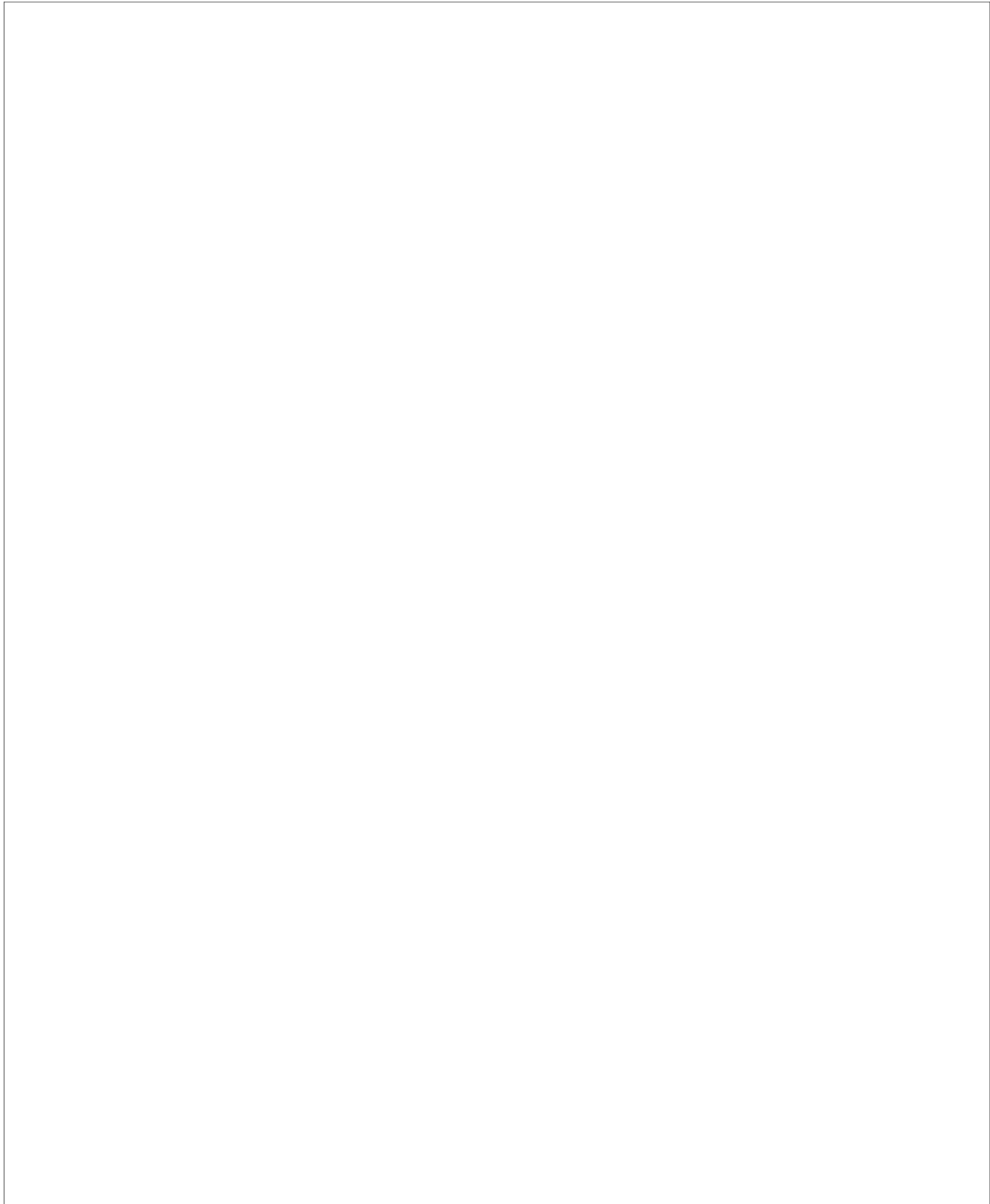
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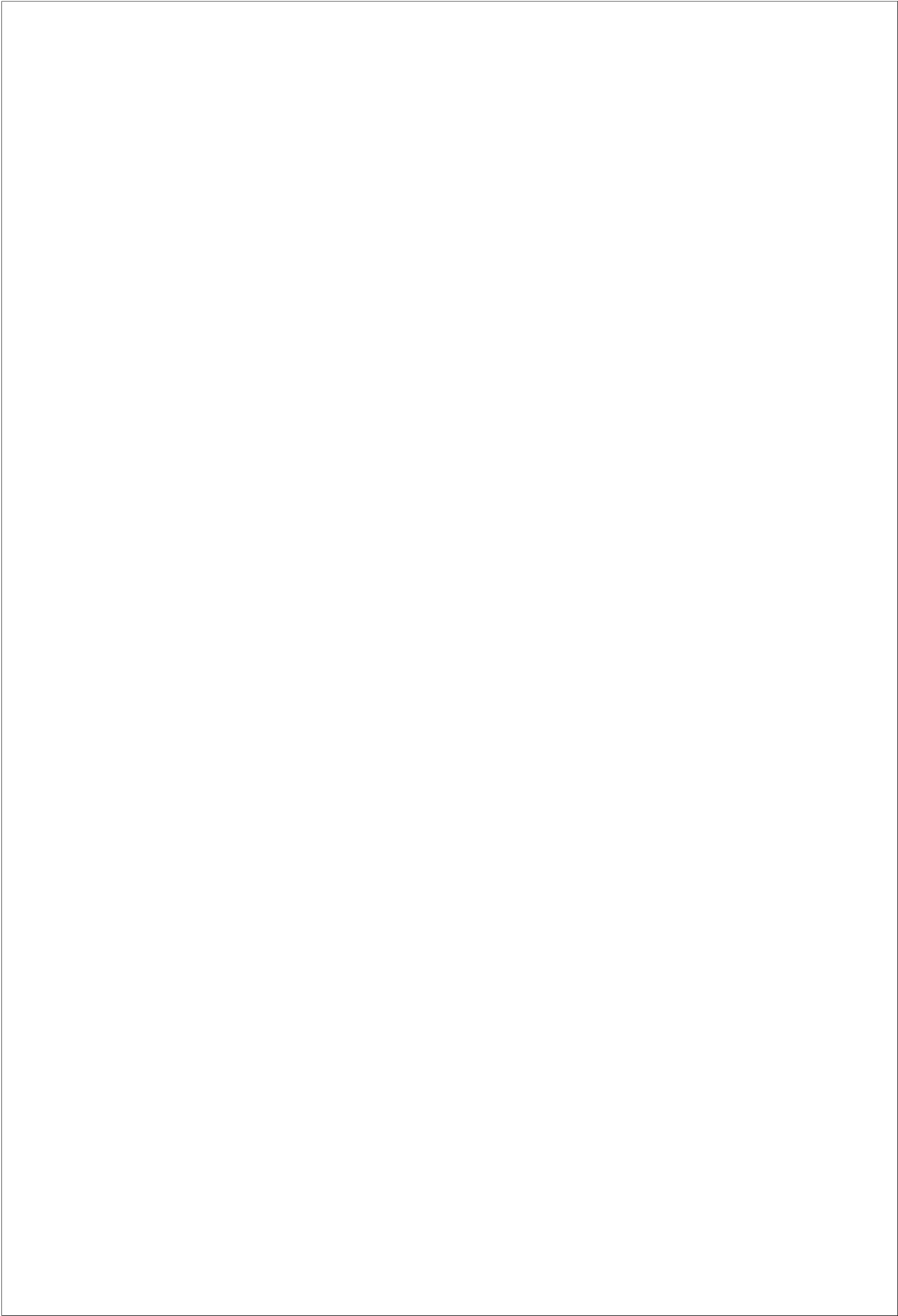


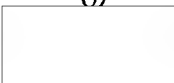
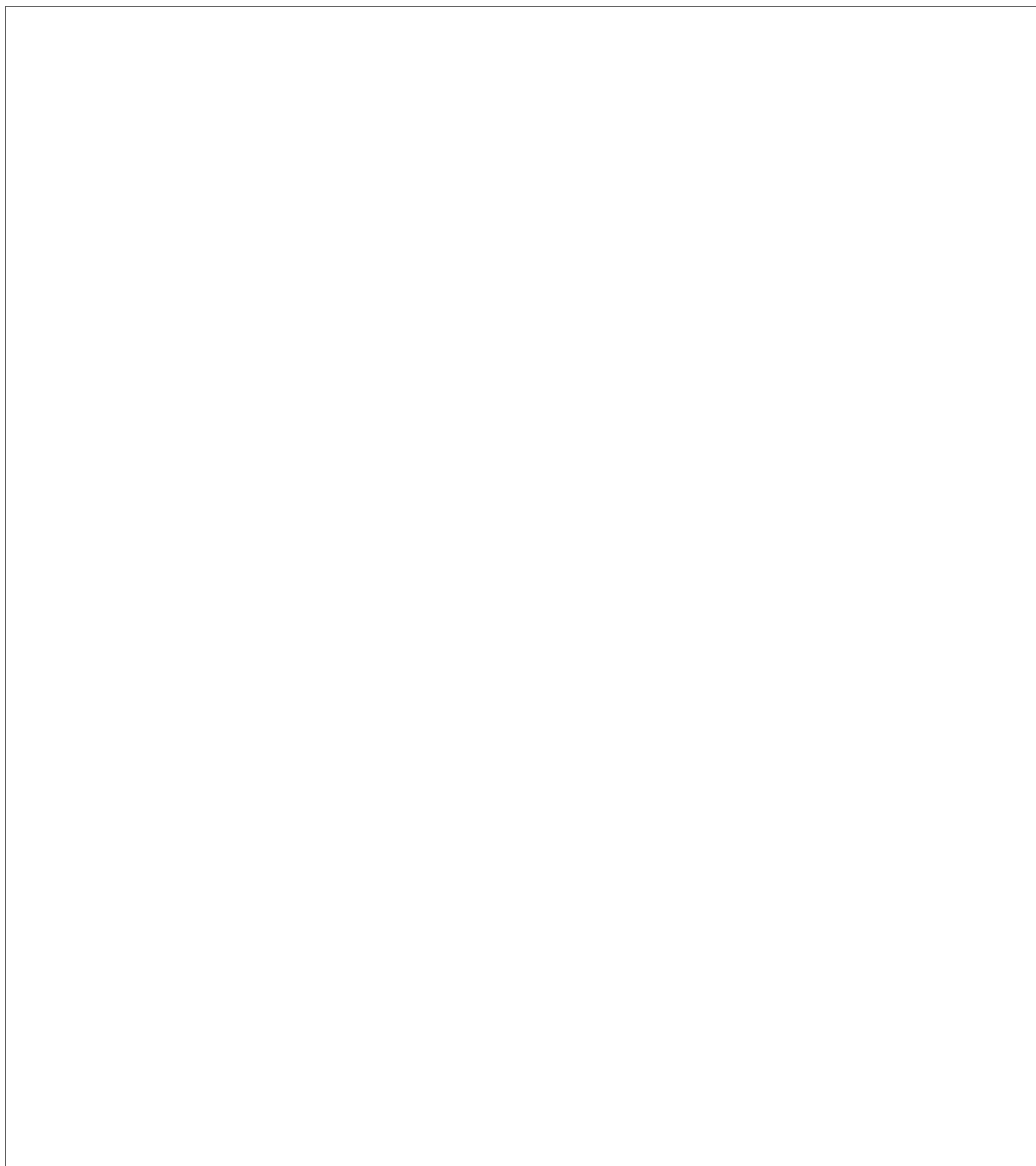
(U) SUMMARIES OF SELECTED CURRENT INVESTIGATIONS









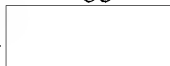


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(U) SPECIAL REVIEWS

(U/) Special reviews are undertaken by ad hoc teams under the leadership of a senior OIG officer to address issues of special concern identified by the Congress, senior CIA leaders, or the Inspector General.

(U) COMPLETED SPECIAL REVIEWS

(U) STATUS OF SIGNIFICANT RECOMMENDED ACTIONS OUTSTANDING FROM PREVIOUS SEMIANNUAL REPORTS

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(U) STATISTICAL OVERVIEW

(U) Audit Staff

(U/) During the period 1 January to 30 June 2005, the Audit Staff issued 11 reports and made 42 recommendations to improve covert action program effectiveness, accounting and financial management, and general management.

(U) The Audit Staff had 14 audits and reviews ongoing at the end of the reporting period.

(U) Inspection Staff

(U) During the first six months of 2005, the Inspection Staff completed six inspections. At the end of the reporting period, the Staff also had six ongoing inspections. In addition, the Staff closed six inspections.

(U) Investigations Staff

(U/) The Investigations Staff completed work on 143 matters of various types during this reporting period. Of this number, five cases were of sufficient significance to be the subject of Reports of Investigation. Five other matters were reported in Disposition Memoranda.

(U/) During this period, the IG formally referred eight matters to DoJ based upon a reasonable belief that violations of Federal criminal law may have been committed.

(U/ [] Recoveries on behalf of the US Government during this reporting period, as a result of the Investigations Staff's efforts, totaled \$312,546.

(U) As of 30 June 2005, 120 matters were in various stages of review by the Investigations Staff.

(U) COMPLETED AUDITS

1 January – 30 June 2005

(U) Financial Management

(U) Adequacy of Documentation Supporting Financial Transactions

(U) Operations

[REDACTED]

[REDACTED] Covert Action Activities [REDACTED]
[REDACTED]

[REDACTED]

[REDACTED] Covert Action Infrastructure: [REDACTED]

(U) Intelligence Community Inspectors General Forum Review of the National HUMINT Requirements Tasking Center

(U) CIA Support to Federal Agencies Responsible for Issuing Licenses Related to Chemical and Biological Commodities

(U) Information Technology

(U) Security of National Security Information Systems Operated by Agency Contractors

(U) 2004 Independent Evaluation of the Central Intelligence Agency Information Security Program and Practices Required by the Federal Information Security Management Act

(U) Procurement

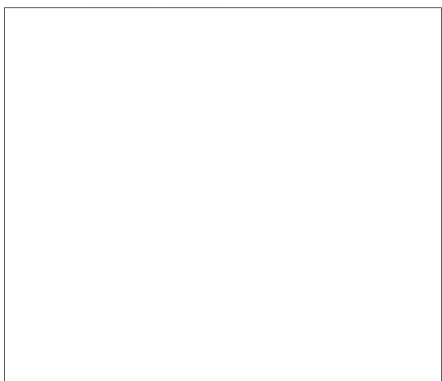
(U) Personal Defense Firearms Training

(U) Integration of Solutions Developed Through In-Q-Tel

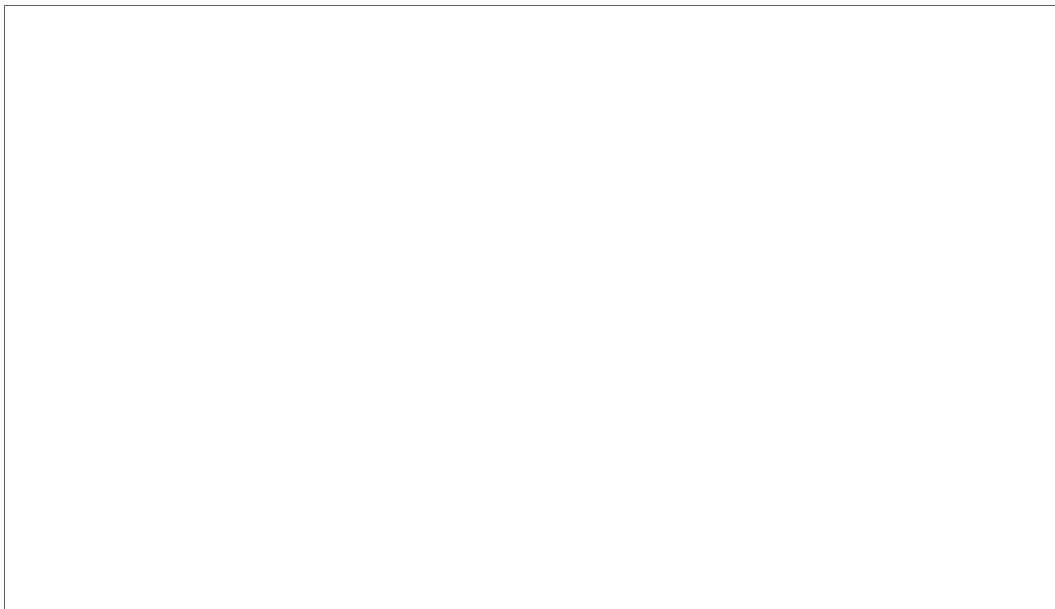
(U) CURRENT AUDITS
30 June 2005

(U) Financial Management

**(U) Central Intelligence Agency Fiscal Year 2005 Financial
Statements**



(U) Operations



(U) Information Technology

(U) 2005 Independent Evaluation of the Central Intelligence
Agency Information Security Program and Practices
Required by the Federal Information Security Management
Act

(U) Agency Management of Laptop Computers

(U) Procurement

[] Facilities Support Project Management Practices at

[]

[]

(U) COMPLETED INSPECTIONS

1 January – 30 June 2005

(U) The Office of Public Affairs

(U) The Office of Security

(U) The DCI Crime and Narcotics Center

(U) Retention in the Agency

(U) The Directorate of Science and Technology's Technical Support
to the Directorate of Operations (DO)

(U) Latin America Division

(U) CURRENT INSPECTIONS

30 June 2005

(U) The Office of Asian Pacific, Latin American, and African
Analysis

(U) Europe Division

(U) CIA University

(U) Research and Development in the Agency

(U) Agency Performance on North Korea

(U) Pre-9/11 Links Between the Iraqi Government and Al-Qa'ida
Evident in Agency Reporting

(U) COMPLETED INVESTIGATIONS

1 January – 30 June 2005

(U/ [] Alleged Abuse of Source

[]

(U/ [] Alleged Improper Disclosure of Proprietary Cost
Information

[]

(U/ [] Alleged Reprisals Against Whistleblower

[]

[]

[]

(U/ [] Employee Involved in Purchase of Safehouse for
Personnel

[]

(U/ [] Misuse of a Government Intelligence Collection System

[]

(U/ [] Overpayment of Contractor

[]

(U/ [] Questionable Accounting at an Overseas Station

[]

* (U) These investigations resulted in a Disposition Memorandum rather than a Report of Investigation.

(U/ [] Collection for Personal Use

[]

(U/ [] Submission of Inaccurate Billings on an Agency
Contract

[]

(U) CURRENT INVESTIGATIONS**As of 30 June 2005**

Category	Number of cases
Grievances	
Assignment	2
Compensation	1
Promotion	1
Other – Grievance	3
Board Appeals	1
General Investigations	
Criminal and Prohibited Acts	
Conflicts of Interest	7
Embezzlement	4
False Claims – Other	10
False Claims/Statements/Vouchers	9
False Claims - Time & Attendance	13
False Claims – Visa/Passports	1
Firearms	1
Management & Supervision - Administrative	1
Megaprojects	5
Misconduct – Employee	3
Misconduct – Management	3
Obstruction of Justice	2
Procurement Fraud	12
Theft/Misuse of Government Property	4
Waste	2
Other - Administrative/Criminal	28
Unsubstantiated Allegations	7
Total Ongoing Cases	120

(U) COMPLETED SPECIAL REVIEWS

30 June 2005

(U/[REDACTED]) CIA Accountability Regarding Findings and Conclusions of the Report of the Joint Inquiry Into Intelligence Community Activities Before and After the Terrorist Attacks of September 11, 2001.